



OLR RESEARCH REPORT

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SB 450, AN ACT CONCERNING ENERGY CONSERVATION AND RENEWABLE ENERGY

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You asked for a summary of SB 450, An Act Concerning Energy Conservation and Renewable Energy, particularly those provisions that could affect heating oil dealers.

SUMMARY

The bill has several provisions that could directly affect oil dealers. It requires that the growth in revenues from the petroleum products gross earnings tax over its FY 11 level be used to fund oil conservation programs. It requires the Public Utilities Regulatory Authority (PURA) to modify its policies on natural gas line extensions. It requires the Department of Energy and Environmental Protection (DEEP) to study (1) the costs and benefits of developing programs to encourage converting oil-heated buildings to natural gas and increase the efficiency of heating oil use and (2) barriers to oil dealers participating in energy efficiency programs. These provisions are effective upon passage.

The bill has many other provisions that would have little, if any impact, on oil dealers. These include provisions:

1. requiring electric companies to develop plans to make their distribution systems more resilient, which may include provisions to place lines underground and develop new generation facilities;
2. promoting microgrids (generation facilities that can operate independently from the grid);
3. easing restrictions on tree-trimming by electric and telephone companies; and
4. encouraging use of electric and natural gas vehicles. Except where indicated.

These provisions are effective July 1, 2012.

The sections below summarize the major provisions of the bill.

PROVISIONS POTENTIALLY AFFECTING OIL DEALERS

Section 1: Oil Conservation Programs and Funding

The bill requires the Fuel Oil Conservation Board to establish and administer a fuel oil conservation account. The bill funds the account by growth in the revenues from the petroleum products gross earnings tax over the revenues collected in FY 11.

The bill requires the board to use the money in the account to:

1. replace oil heating equipment of residential, commercial, or industrial fuel oil customers with oil heating equipment that is at least 85% efficient;
2. install oil heating equipment in buildings with electric resistance heating; and
3. make energy efficient improvements to buildings that use oil heating.

Any money left in the account at the end of any fiscal year must be transferred to the General Fund.

Section 2: Natural Gas Line Extensions

The bill requires PURA (formerly the Department of Public Utility Control) to begin a proceeding by July 1, 2012 to (1) review its policies on gas distribution line extensions and (2) modify, consistent with the laws governing utility ratemaking, the criteria it uses to determine when an extension is in the interest of gas company ratepayers, including any maximum payback period. (In practice, PURA looks at how long it will take for gas revenues from new customers to pay for an extension in deciding whether to allow the extension.) By January 1, 2013, PURA must report its findings to the Energy and Technology Committee.

Sections 3: Department of Energy and Environmental Protection Studies

The bill requires DEEP to examine the costs and benefits of developing programs to (1) encourage conversion of oil-heated buildings to natural gas and (2) increase the efficiency of heating oil use. By January 1, 2013, the department must report its findings and recommendations concerning the implementation of these programs to the Energy and Technology Committee.

The bill also requires the department to study, in consultation with the Department of Consumer Protection, the barriers to heating oil dealers participating in energy efficiency programs. By January 1, 2013, DEEP must report its findings to the Energy and Technology Committee.

Section 21: Energy Audits for Oil Heat Customers

Under current law, the home energy services energy audit program subsidizes customers who heat with oil or other nonutility fuels. Although the program is funded by charges on gas and electric bills, the audit charge must be the same, regardless of how the property owner heats his or her home. Current law limits the subsidy that customers who heat with gas or electricity provide to those who heat with oil or other nonutility fuels to \$500,000 per year.

The bill eliminates the \$500,000 subsidy cap but limits the parity requirement to the period when funding for the audits is provided under the utilities' conservation plans.

OTHER PROVISIONS

Section 3: Natural Gas Vehicles

The bill requires, DEEP, by July 1, 2012, to establish a pilot program to facilitate the deployment of natural gas vehicles in municipalities. The program must include not more than three partnerships between municipalities and a gas company to encourage the conversion of municipal vehicle fleets to natural gas and to develop natural gas refueling stations. The program is funded by the existing conservation charge on gas bills and state Department of Transportation (DOT) funding. The gas company's infrastructure costs are recovered in its rates. These provisions are effective upon passage.

Sections 6 and 7: Contractors and Energy Efficiency

The bill requires residential and commercial building contractors to inform consumers of any state or federal incentives for installing energy efficient options before entering into a contract to construct a building.

Sections 8, 12-20: Electric Company Provisions

The bill requires each electric company, by October 1, 2012, to submit a 10-year plan to PURA to strengthen its distribution infrastructure and improve its performance and resiliency during a natural disaster. The company may include provisions for placing any portion of its facilities underground, including any feeder for any critical or emergency facility. It can also petition PURA to own and operate, on municipal or state property, any renewable resources facilities, cogeneration heat and power systems (those that simultaneously produce electricity and steam for purposes such as heating), and fuel cells that will improve the availability of electric service to critical or emergency facilities during natural disasters or other emergencies. The bill specifies how the costs of these measures would be recovered from participating municipalities and electric ratepayers.

Under current law, electric companies and competitive suppliers must get part of their power from class I renewable resources, such as solar and wind energy and power produced from fuel cells. The bill expands the resources that count as class I to include power produced by microgrids. Under the bill, these are generation systems on a customer's premises, including cogeneration systems, that can operate

independently from the grid. The bill requires that electric companies and competitive suppliers use microgrids to meet at least 25% of their class I requirements.

The law allows each electric company to build up to 10 megawatts of generating capacity using class I resources and nonutility generators to build another 10 megawatts. The bill requires DEEP, by October 1, 2012, to determine the anticipated cost to ratepayers of these facilities. It may allow the companies and nonutility generators to exceed their caps if the cost of this generation is less than DEEP anticipated. These provisions are effective upon passage.

Sections 9-11: Tree Trimming

The bill eliminates the need to obtain a permit from a tree warden, DOT, or other relevant authority to cut or remove any tree or shrub within the limits of a public road or grounds. Under current law, in cases involving utilities, an adverse permit determination can be appealed to PURA, which makes the final decision.

Under current law, electric and telephone companies must seek the consent of abutting property owners when they to trim trees overhanging highways or public grounds. (The strip between a sidewalk and a highway is typically part of the highway right of way.) If the owner does not consent, the company can proceed with the approval of PURA or the municipal tree warden following notice and an opportunity for a hearing.

The bill eliminates the consent requirement and instead requires the company to (1) publish a newspaper notice of its intent and (2) notify the tree warden and DOT. The abutting property owner, tree warden, or DOT can object, in which case PURA must hold a hearing. PURA can then authorize the company to proceed with the trimming. The bill extends the new procedures to “hazard trees,” trees on private property that may fall into a utility line as a result of natural causes, including wind, snow, ice, or disease. The bill also exempts from the notice requirement trimming any branches of a tree that are within 10 feet of the utility line if the tree is up to 12 inches in diameter measured at chest height. The bill makes similar changes to the procedures that apply when a company wants to move its wires.

By law, a DOT permit is needed for anyone other than a tree warden to cut or trim a tree on a state highway. The bill exempts utilities from this requirement. The bill eliminates a provision requiring DOT to notify the municipal chief elected official if anyone seeks a permit to trim a tree that is 18 inches or more in diameter.

The bill exempts utility companies from a provision that allows the courts to award damages of up to \$5,000 if an entity illegally prunes or injures a tree in a public way or grounds.

Sections 22-27: Electric Vehicles

The bill:

1. requires the state building inspector to revise the state building code by July 1, 2013 to (a) provide for an electric vehicle infrastructure; (b) provide for bidirectional charging without significant upgrading; where feasible, and (c) require all new residential and certain commercial construction to be capable of supporting this infrastructure;
2. allows any hybrid or fuel cell vehicle to use the high occupancy vehicle (HOV) lanes (but federal law does not permit this);
3. establishes an "electric vehicle infrastructure support account," although it does not specify funding for the account, for PURA to provide grants to businesses seeking to upgrade infrastructure to support the use of electric and hydrogen fuel-cell powered vehicles;
4. exempts fuel cell and electric vehicles from the sales tax until July 1, 2014; and
5. requires DEEP to develop a plan to promote the use of electric vehicles in the state and to facilitate the statewide installation of fast charging stations.

These provisions are effective upon passage.

Section 28: Cogeneration

The law provides financial incentives for cogeneration systems. The bill increases the maximum (1) size of eligible systems from one to five megawatts and (2) incentive from \$200 to \$500 per kilowatt of generating capacity (a kilowatt is the amount of energy used by 10 100-watt light bulbs, a megawatt is 1,000 kilowatts.) These provisions are effective upon passage.

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